

**CHARLEVOIX COUNTY PUBLIC TRANSIT**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with supplemental information)**  
**YEARS ENDED SEPTEMBER 30, 2004 AND 2003**

## Auditing Procedures Report

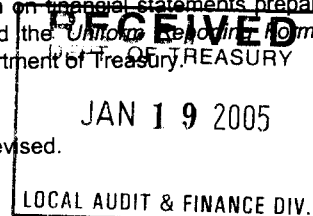
Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Charlevoix County Public Transit</b>	County <b>Charlevoix</b>
Audit Date <b>9/30/04</b>	Opinion Date <b>12/9/04</b>	Date Accountant Report Submitted to State: <b>1/11/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Accounting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



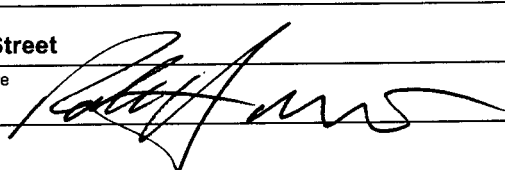
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Harris Group, Certified Public Accountants</b>			
Street Address <b>1107 E. 8th Street</b>	City <b>Traverse City</b>	State <b>MI</b>	ZIP <b>49686</b>
Accountant Signature 		Date <b>1/11/05</b>	

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**CHARLEVOIX COUNTY PUBLIC TRANSIT  
COMMITTEE MEMBERS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

Henry Erber, Chairperson

W. Randolph Frykberg, Vice-chairperson

Jane Brannon, Secretary



Certified Public Accountants

### Independent Auditor's Report

To the Transit Committee  
Charlevoix County Public Transit

We have audited the accompanying financial statements of the Charlevoix County Public Transit of Charlevoix County, as of and for the years ended September 30, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of Charlevoix County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Charlevoix County Public Transit and do not purport to, and do not present fairly the financial position of Charlevoix County, and the changes in financial position and cash flows, where applicable for the year ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Charlevoix County Public Transit of Charlevoix County, as of September 30, 2004 and 2003, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2004, on our consideration of Charlevoix County Public Transit's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiring of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Harris Group*

December 9, 2004

**Charlevoix County Public Transit  
Management Discussion and Analysis  
For the year ended September 30, 2004**

This section of Charlevoix County Public Transit's annual financial report presents its discussion and analysis of the Public Transit's financial performance during the fiscal years ending September 30, 2004 and 2003.

**Financial Highlights**

- The Public Transit's financial status decreased slightly. Total unrestricted net assets decreased 9.5% percent over the course of the year.
- Overall revenues were \$1,135,252, which included \$661,638 from operating grants.
- State operation funding decreased 3.69% from the prior year.
- The County Public transit did receive \$325,614 in capital grants for the purchase of vehicles and equipment
- Transit ridership increased 2.0% from the prior year.
- The Public Transit's tax base increased by 9.01%.

**Overview of the Financial Statements**

The Charlevoix County Public Transit is a fund of Charlevoix County. Its operations are funded primarily by property tax revenues, operating grants from Federal and State agencies and fare box fees. The Public Transit has the capability and the authority to provide public transportation to the general public in Charlevoix County. The activities of the Public Transit are governed by a committee appointed by the Charlevoix County Board of Commissioners.

This annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include both *short-term* and *long-term* information about the Public Transit's *overall* financial status.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Public Transit's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Charlevoix County Public Transit Basic Financial Statements**

The Public Transit basic financial statements report information about the Public Transit using the full accrual method of accounting. The statement of net assets includes all of the Charlevoix County Public Transit's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**Charlevoix County Public Transit  
Management Discussion and Analysis  
For the year ended September 30, 2004**

The Charlevoix County Public Transit basic financial statements report the Public Transit's *net assets* and how they have changed. Net assets-the difference between the Public Transit's assets and liabilities-is one way to measure the Public Transit's financial health or *position*.

- Over time, increases or decreases in the Public Transit's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Public Transits overall health, you need to consider additional non-financial factors such as changes in the Public Transit's property tax base and the condition of buildings and other facilities.

**Financial Analysis of the Charlevoix County Public Transit**

Net assets. The Charlevoix County Public Transit's *combined* net assets were higher on September 30, 2004, than they were the year before, increasing 6.27% to \$1,446,808. Figure A-1 illustrates the valuation of net assets on September 30, 2004 and 2003.

**Figure A-1**

*Condensed Statement of Net Assets*

	<u>9/30/04</u>	<u>9/30/03</u>
<b>Assets</b>		
Current	\$ 716,089	\$ 800,274
Non-Current	827,914	672,726
	<u><u>\$ 1,544,003</u></u>	<u><u>\$ 1,473,000</u></u>
<b>Liabilities</b>		
Current	\$ 97,195	\$ 111,579
<b>Net Assets</b>		
Contributed capital	651,583	482,706
Unrestricted	795,225	878,715
	<u><u>1,446,808</u></u>	<u><u>1,361,421</u></u>
<b>Liabilities and Net Assets</b>	<u><u>\$ 1,544,003</u></u>	<u><u>\$ 1,473,000</u></u>

The Public Transit's financial position, in total, is unchanged from the prior year. Federal and state financing has decreased 3.69% and personnel expenses (salaries and related benefits) increased 18.3%. The increase in personnel expenses is primarily due to a settlement of \$95,000 on a workers compensation claim that was paid by the County Public Transit. These changes were offset by an increase in the tax revenue of 4.5%. The County Public Transit received \$325,614 in capital grants for the purchase of capital equipment and vehicles.

The ridership for Charlevoix County Public Transit increased 2.0% from year ended September 30, 2003 compared to September 30, 2004. With total riders of 106,303 and 104,185 for the years ended September 30, 2004 and 2003, respectively.

Figure A-2 illustrates changes in net assets for operations as of September 30, 2004 and 2003.

**Charlevoix County Public Transit  
Management Discussion and Analysis  
For the year ended September 30, 2004**

**Figure A-2**

*Changes in Net Assets from Operating Results*

**For the year ended September 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Revenues:</b>		
Charges for Services	\$ 114,668	\$ 112,371
Operating Grants and Contributions	661,638	539,573
Local revenues	358,946	355,726
	<u>1,135,252</u>	<u>1,007,670</u>
<b>Expenses:</b>		
Operating expenses	<u>1,375,479</u>	<u>1,155,030</u>
<b>NET INCOME (LOSS)</b>	(240,227)	(147,360)
Add: Depreciation on fixed assets acquired by grant entitlement	<u>156,737</u>	<u>123,137</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(83,490)	(24,223)
<b>NET ASSETS, beginning of year</b>	<u>878,715</u>	<u>902,938</u>
<b>NET ASSETS, end of year</b>	<u><u>\$ 795,225</u></u>	<u><u>\$ 878,715</u></u>

**Capital Asset and Debt Administration**

**Capital Assets**

By the end of 2004, the Public Transit had invested \$1,934,305 in vehicles, equipment and buildings. This amount is higher than the previous year to due capital grants to purchase five buses and other capital equipment of \$325,614. Total depreciation expense for the year exceeded \$197,500. Figure A-3 details the historical costs, accumulated depreciation, and book value of the Public Transit's capital assets.



**Charlevoix County Public Transit  
Management Discussion and Analysis  
For the year ended September 30, 2004**

**Figure A-3**

***Statement of Capital Assets***

	<u>Purchased with Public Transit Funds</u>	<u>Purchased with Capital Grants</u>	<u>Total</u>
<b>September 30, 2004</b>			
Buildings	\$ 196,334	\$ 460,039	\$ 656,373
Equipment	81,180	156,461	237,641
Vehicles	<u>138,145</u>	<u>902,146</u>	<u>1,040,291</u>
	415,659	1,518,646	1,934,305
Less accumulated depreciation	<u>243,480</u>	<u>862,911</u>	<u>1,106,391</u>
Net Property and Equipment	<u>\$ 172,179</u>	<u>\$ 655,735</u>	<u>\$ 827,914</u>
<b>September 30, 2003</b>			
Buildings	\$ 196,334	\$ 460,039	\$ 656,373
Equipment	57,635	145,364	202,999
Vehicles	<u>154,857</u>	<u>613,143</u>	<u>768,000</u>
	408,826	1,218,546	1,627,372
Less accumulated depreciation	<u>223,317</u>	<u>731,329</u>	<u>954,646</u>
Net Property and Equipment	<u>\$ 185,509</u>	<u>\$ 487,217</u>	<u>\$ 672,726</u>

**Factors Bearing on the Public Transit's Future**

At the time these financial statements were prepared and audited, the Public Transit was aware of the following circumstance that could significantly affect its financial health in the future:

- The State of Michigan's budget crisis may have a negative impact on the Public Transit. This could result in another Executive Order, impacting the Public Transit's capital and operating grants for the fiscal year ending September 30, 2005.

**Contacting the Public Transit's Financial Management**

This financial report is designed to provide the Charlevoix County Public Transit's citizens, taxpayers, and customers with a general overview of the Public Transit's finances and to demonstrate the Public Transit's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Charlevoix County Public Transit Business, 1050 Brockway St., Boyne City, MI 49712.

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
BALANCE SHEETS  
SEPTEMBER 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$ 470,825	\$ 571,598
Receivables:		
Accounts	9,420	5,837
Interest	2,949	481
Grants receivable from State	198,566	186,829
Inventories	29,473	30,714
Prepaid expenses	<u>4,856</u>	<u>4,815</u>
Total Current Assets	716,089	800,274
PROPERTY AND EQUIPMENT, less accumulated depreciation	<u>827,914</u>	<u>672,726</u>
TOTAL ASSETS	<u><u>\$ 1,544,003</u></u>	<u><u>\$ 1,473,000</u></u>
<b>LIABILITIES AND EQUITY</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 10,658	\$ 6,440
Accrued expenses	8,015	19,302
Due to State	50,445	50,445
Accrued sick and vacation	<u>28,077</u>	<u>35,392</u>
Total Current Liabilities	<u>97,195</u>	<u>111,579</u>
FUND EQUITY:		
Contributed capital	651,583	482,706
Retained earnings	<u>795,225</u>	<u>878,715</u>
Total Equity	<u>1,446,808</u>	<u>1,361,421</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$ 1,544,003</u></u>	<u><u>\$ 1,473,000</u></u>

The accompanying notes are an integral part of this statement.

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS  
FOR THE YEARS ENDED SEPTEMBER 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES	\$ 114,668	\$ 112,371
OPERATING EXPENSES	<u>1,375,479</u>	<u>1,155,030</u>
Operating Loss	<u>(1,260,811)</u>	<u>(1,042,659)</u>
NON-OPERATING REVENUES (EXPENSES):		
Local	358,946	355,726
State and federal	<u>661,638</u>	<u>539,573</u>
Total Non-Operating Revenues	<u>1,020,584</u>	<u>895,299</u>
NET INCOME (LOSS)	(240,227)	(147,360)
Add: Depreciation on fixed assets acquired by grant entitlement	<u>156,737</u>	<u>123,137</u>
INCREASE (DECREASE) IN RETAINED EARNINGS	(83,490)	(24,223)
RETAINED EARNINGS, beginning of year	<u>878,715</u>	<u>902,938</u>
RETAINED EARNINGS, end of year	<u><u>\$ 795,225</u></u>	<u><u>\$ 878,715</u></u>

The accompanying notes are an integral part of this statement.

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 111,085	\$ 111,711
Cash payments to supplies and employees	<u>(1,191,015)</u>	<u>(997,381)</u>
Net cash used in operating activities	<u>(1,079,930)</u>	<u>(885,910)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCIAL ACTIVITIES:</b>		
Local tax levy received	342,999	328,247
State of Michigan – Single Business Tax – inventory rebate	1,590	2,181
Operating grants received	<u>649,901</u>	<u>466,518</u>
Net cash provided by non-capital financing	<u>994,490</u>	<u>796,946</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	(352,867)	(106,339)
Proceeds from sale of fixed assets	1,669	15,450
Capital grants received	<u>325,614</u>	<u>100,641</u>
Net cash provided by capital and related financing activities	<u>(25,584)</u>	<u>9,752</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	<u>10,251</u>	<u>10,906</u>
<b>NET DECREASE IN CASH</b>	<b>(100,773)</b>	<b>(68,306)</b>
<b>CASH, beginning of year</b>	<u><b>571,598</b></u>	<u><b>639,904</b></u>
<b>CASH, end of year</b>	<u><u><b>\$ 470,825</b></u></u>	<u><u><b>\$ 571,598</b></u></u>

The accompanying notes are an integral part of this statement.

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
RECONCILIATION OF OPERATING LOSS TO NET  
CASH USED IN OPERATING ACTIVITIES  
FOR THE YEARS ENDED SEPTEMBER 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
Operating loss	\$ (1,260,811)	\$ (1,042,659)
Adjustments to reconcile operating loss to net cash provided By operating activities:		
Depreciation	197,648	161,489
Accounts receivable	(3,583)	(600)
Due from other funds		2,032
Inventories	1,241	(3,146)
Prepaid expenses	(41)	(2,383)
Accounts payable	4,218	(1,547)
Due to other funds		(980)
Accrued expenses	(11,287)	(512)
Accrued sick and vacation pay	(7,315)	2,396
Total adjustments	<u>180,881</u>	<u>156,749</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (1,079,930)</u>	<u>\$ (885,910)</u>

The accompanying notes are an integral part of this statement.

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: DESCRIPTION OF THE REPORTING ENTITY**

The Charlevoix County Public Transit is a fund of Charlevoix County. Its operations are funded primarily by property tax revenues, operating grants from Federal and State agencies and fare box fees. The Public Transit has the capability and the authority to provide public transportation to the general public in Charlevoix County. The activities of the Public Transit are governed by a committee appointed by the Charlevoix County Board of Commissioners.

**NOTE 2: DESCRIPTION OF FUND**

Enterprise Fund

This fund accounts for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Charlevoix County Public Transit conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

Basis of Accounting

Charlevoix County Public Transit follows the accrual basis of accounting. The accrual basis provides that revenues are recorded when earned and expenditures are recorded when the related liability is incurred.

Cash

Cash is maintained by the County Treasurer in a common cash account with other County funds.

Inventories

Inventories of replacement parts are valued at the lower of cost or market. Office supplies are not included in inventories.

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Fixed Assets & Depreciation

Fixed assets are stated at cost or fair market value at date of gift. The minimum capitalization policy of the State of Michigan for Transit agencies is \$5,000. Fixed assets with costs less than \$5,000 are charged to expense. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterment, when significant in amount, are capitalized. Provisions for depreciation of equipment are computed on the straight-line method. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives.

Bad Debts

Charlevoix County Public Transit does not use the allowance for bad debt method since all receivables are deemed collectible.

**NOTE 4: PROPERTY & EQUIPMENT**

Major classes of property and equipment consist of the following:

	<u>Purchased with Public Transit Funds</u>	<u>Purchased with Capital Grants</u>	<u>Total</u>
<b>September 30, 2004</b>			
Buildings	\$ 196,334	\$ 460,039	\$ 656,373
Equipment	81,180	156,461	237,641
Vehicles	<u>138,145</u>	<u>902,146</u>	<u>1,040,291</u>
	415,659	1,518,646	1,934,305
Less accumulated depreciation	<u>243,480</u>	<u>862,911</u>	<u>1,106,391</u>
Net Property and Equipment	<u><u>\$ 172,179</u></u>	<u><u>\$ 655,735</u></u>	<u><u>\$ 827,914</u></u>

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4: PROPERTY & EQUIPMENT – Continued:**

	Purchased with Public Transit Funds	Purchased with Capital Grants	Total
<b>September 30, 2003</b>			
Buildings	\$ 196,334	\$ 460,039	\$ 656,373
Equipment	57,635	145,364	202,999
Vehicles	154,857	613,143	768,000
	408,826	1,218,546	1,627,372
Less accumulated depreciation	223,317	731,329	954,646
Net Property and Equipment	<u>\$ 185,509</u>	<u>\$ 487,217</u>	<u>\$ 672,726</u>

A summary of additions and deletions is as follows:

	Buildings	Equipment	Vehicles	Total
Balance, September 30, 2002	\$ 656,373	\$ 179,095	\$ 823,251	\$ 1,658,719
Additions		23,904	82,435	106,339
Deletions			(137,686)	(137,686)
Balance, September 30, 2003	656,373	202,999	768,000	1,627,372
Additions		50,138	302,728	352,866
Deletions		(15,496)	(30,437)	(45,933)
Balance, September 30, 2004	<u>\$ 656,373</u>	<u>\$ 237,641</u>	<u>\$ 1,040,291</u>	<u>\$ 1,934,305</u>

Depreciation is computed on a straight-line method for all assets. Depreciation expense for the years 2004 and 2003 was \$197,648 and \$161,489, respectively.

The land which was used to place the Public Transit facility on was donated by the Charlevoix County Road Commission to the County and is not reflected on the Public Transit records.



**CHARLEVOIX COUNTY PUBLIC TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5: RETIREMENT PLAN**

The employees of the Public Transit are covered under the County's pension plan with the State of Michigan Municipal Employees Retirement System.

The County contributed 10.94 percent of covered gross payroll for 2004 which were included in the General Fund's pension cost.

Other pension information as required by GASB No. 5 is not available since the Public Transit employees are covered under the overall County pension plan.

**NOTE 6: VACATION & SICK LEAVE**

Vacation leave is earned in varying amounts depending on the number of years of service of an employee and is made available to the employees monthly, not to exceed a total accumulation of 30 days in a one year period, and up to 10 days may be carried over.

Sick leave is accumulated at the rate of one day for each month of service, not to exceed a total accumulation of 65 days.

Vacation pay is payable at 100 percent to employees when they terminate employment.

Sick pay is payable to employees when they leave employment to a maximum of 25 percent of the remaining accumulated sick leave up to a maximum of 65 days.

Vacation or sick leave utilized during the year is recorded as current fringe benefit expenditures. At year end, each employee's accumulated leave is computed by applying his current (year end) rate of pay times total accumulated hours. The composite dollar total for all employees is entered as the accrued liability by an applicable adjusting entry posted to the liability and expenditure account.

Vacation and sick leave accrued and expensed for the fiscal year ended September 30, 2004 and 2003 resulted in an increase (decrease) to expense of \$(7,315) and \$2,396, respectively.

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7: CONTRIBUTED CAPITAL**

A schedule of contributed capital as of September 30, 2004 and 2003 is as follows:

	<u>2004</u>	<u>2003</u>
CONTRIBUTED CAPITAL, beginning	\$ 482,706	\$ 505,202
Add: Capital grants received or receivable	325,614	100,641
Deduct: Current year depreciation on assets purchased with grant or entitlement funds	<u>(156,737)</u>	<u>(123,137)</u>
CONTRIBUTED CAPITAL, ending	<u>\$ 651,583</u>	<u>\$ 482,706</u>

**NOTE 8: DEPOSITS & INVESTMENTS**

All cash and investments are maintained by the County Treasurer in common cash and investment accounts, except as noted below. Because of the use of common funds, the Public Transit's funds cannot be distinguished from other funds. The County Treasurer does allocate a portion of interest earned to each fund based upon its proportionate share of the cash balances that are invested. The County Treasurer had funds invested in institutions at September 30, 2004 and 2003, which provided insurance in amounts in excess of funds held for Transit. Investments were made during the period by the County Treasurer in certificates of deposit, money market accounts and with investment trust funds.

For purposes of cash flows, the Public Transit considers all short-term debt securities purchased with a maturity of three months or less from the year-end to be cash equivalents. At the end of the year, a \$200,000 Certificate of Deposit was held with a maturity of less than three months.

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9: PROPERTY TAX LEVY COLLECTED IN 2004**

<u>Mills</u>	<u>Adjusted levy</u>	<u>Tax collections and purchased By County</u>	<u>IFT &amp; CFT Collections</u>	<u>Unpaid personal</u>
.2330	\$ 345,493	\$ 340,843	\$ 2,480	\$ 823

The IFT and CFT amounts are not included in the adjusted levy.

Taxes lost to the Cities of Charlevoix and Boyne City through the DDA and TIFA amounted to \$10,014. The 2003 Taxable Value for the County is \$1,482,800,955.

The property taxes are collected by local treasurers with the taxes becoming due and payable on December 1st of each year and payable without penalty through February 15 (or 28th), as the case may be, by option of each local unit. Taxes are returned to the County Treasurer for collection on or about March 1st of each year.

The County Treasurer purchases all uncollected real taxes in May. The Treasurer pays over to the Public Transit all current and delinquent real property taxes and all accumulated current personal property taxes in May or June of each year. All unpaid personal property taxes are paid to the Public Transit on a monthly basis as they are collected.

**NOTE 10: INSURANCE POOL**

During the year ended September 30, 1988, Charlevoix County Public Transit and eighteen other transportation authorities formed the Michigan Transit Pool (MTP). There are two insurance programs offered by MTP. Charlevoix County Public Transit participates in both the Direct Property Damage Program, which is a self-insured fund providing insurance coverage for physical damage and comprehensive losses to the Authority's fleet of vehicles, and the Michigan Transit Pool Liability Trust Fund providing general liability coverage.

The Direct Property Damage Program directly allocates losses incurred by a member between \$2,000 (the amount of the per-occurrence deduction) and \$10,000 (the risk-shared threshold). Risk shared losses include losses above the \$10,000 not covered by excess reinsurance. Risk shared losses will be allocated between all members participating in the collision and primary comprehensive coverage program based upon a member's average book value divided by total participating average book value, multiplied by the total amount of risk shared losses. The actual calculation of risk-shared losses will extend beyond the fiscal year-end to encompass expenses incurred to close all claims for the policy period. In the event of excess losses, all pooled losses will first be paid out of initial deposits. Should losses exceed this amount, the contingency margin will be used to pay losses. In this event, all systems will be billed the amount necessary to replenish the contingency margin within thirty (30) days.

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10: INSURANCE POOL - Continued**

Each authority contributes to the Liability Trust Fund an annual premium which is determined on an actuarial method based upon the Authority's vehicle hours, vehicle miles and number of passengers for the preceding year. During the initial year of the pool, the Authority also contributed to the Contingency Reserve of the pool, which was intended to be a one time payment. Claims less than \$50,000 are deducted directly from the applicable Authority's premium deposit. Claims over \$50,000 are paid out of a pool in which all authorities participate. Each authority is credited with interest earned on its premium deposit and is charged for its share of claims as well as administrative expenses. If a refund or additional premium is due to/from the Authority, such adjustment will be made approximately six months after the pool's fiscal year-end of November 30.

**NOTE 11: CONTINGENCIES**

The Michigan Department of Transportation has been inquiring about the cost allocation plan between the Public Transit and Regional Transit. It is the opinion of the Department of Transportation that the cost allocation plan based on mileage of the two transits was improper. Charlevoix Public Transit has made an appeal to the Department of Transportation, and would like to retroactively amend the cost allocation plan to be based on actual expenses. If the Department of Transportation does not accept the appeal, Charlevoix Public Transit could be required to repay approximately \$300,000. As of September 30, 2004, no amount has been recorded since a final resolution has not been accepted.

**NOTE 12: RECLASSIFICATION OF AMOUNTS**

Certain amounts previously reported have been reclassified to conform to the 2004 presentation.

**INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION**

Our report on our audit of the financial statements of Charlevoix County Public Transit appears on page 2. That audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Charlevoix County Public Transit. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

  
Certified Public Accountants

Traverse City, Michigan  
December 9, 2004

SCHEDULE 1

CHARLEVOIX COUNTY PUBLIC TRANSIT  
SCHEDULE OF OPERATING REVENUES  
FOR THE YEARS ENDED SEPTEMBER 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Operating Revenues:		
Demand-response:		
Passenger fares	\$ 57,723	\$ 54,726
Special fares	<u>56,945</u>	<u>57,645</u>
TOTAL OPERATING REVENUES	<u>\$ 114,668</u>	<u>\$ 112,371</u>

SCHEDULE 2

CHARLEVOIX COUNTY PUBLIC TRANSIT  
SCHEDULE OF OPERATING EXPENSES  
YEAR ENDED SEPTEMBER 30, 2004  
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2003

	Operations	Maintenance	General Administration	Total 2004	Total (Memorandum Only) 2003
Labor:					
Operating salaries and wages	\$ 296,275	\$	\$	\$ 296,275	\$ 284,279
Other salaries and wages		84,037	80,666	164,703	163,357
Dispatch salaries	64,746			64,746	56,580
Fringe benefits	304,647	48,012	43,390	396,049	274,913
Services					
Advertising/promotion expense	4,360			4,360	3,234
Other services	153		5,617	5,770	5,908
Materials and supplies consumed:					
Fuel and lubricants	57,910			57,910	52,041
Tires and tubes	3,379			3,379	4,220
Other materials and supplies	40,608	26,463	1,852	68,923	66,650
Utilities	12,662	1,803	1,620	16,085	17,130
Casualty and liability cost:					
Liability and property damage insurance	59,516			59,516	26,623
Worker's compensation	30,766	594	831	32,191	26,199
Miscellaneous expenses:					
Travel	141	103	1,902	2,146	6,464
Association dues			1,547	1,547	1,230
Other miscellaneous expense	4,851		(620)	4,231	4,713
Depreciation	118,589	23,718	55,341	197,648	161,489
TOTAL EXPENSES	\$ 998,603	\$ 184,730	\$ 192,146	\$ 1,375,479	\$ 1,155,030

**SCHEDULE 3A**

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
SCHEDULES OF NON-OPERATING REVENUES  
YEARS ENDED SEPTEMBER 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
Property taxes	\$ 342,999	\$ 328,247
Interest Income	12,719	9,848
Gain on sale of fixed assets	1,638	15,450
State of Michigan Single Business Tax Return on Inventory	<u>1,590</u>	<u>2,181</u>
 TOTAL NON-OPERATING REVENUE – LOCAL	 <u>\$ 358,946</u>	 <u>\$ 355,726</u>



SCHEDULE 3B

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
SCHEDULES OF NON-OPERATING REVENUES  
YEARS ENDED SEPTEMBER 30, 2004 AND 2003  
(continued)**

	<u>2004</u>	<u>2003</u>
State of Michigan operating grants:		
Local bus operating assistance (Act 51)	\$ 511,802	\$ 449,655
Local bus operating adjustments – prior years	<u>(9,016)</u>	<u></u>
Total State of Michigan operating grants	<u>502,786</u>	<u>449,655</u>
Federal operating grants		
U.S. DOT operating grant – Section 5311		
Contract 02-0027/Z7	132,072	
Contract 02-0027/Z4		87,050
Contract 02-0027/Z1	24,445	
Contract 01-0022		(632)
R-TAP expense reimbursement	<u>2,335</u>	<u>3,500</u>
Total Federal operating grants	<u>158,852</u>	<u>89,918</u>
 TOTAL NON-OPERATING REVENUES - STATE AND FEDERAL	 <u>\$ 661,638</u>	 <u>\$ 539,573</u>

SCHEDULE 4

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
SCHEDULE OF NET ELIGIBLE COSTS COMPUTATIONS  
OF GENERAL OPERATIONS  
YEAR ENDED SEPTEMBER 30, 2004**

	<u>Section 5311</u>	<u>Operating Assistance</u>
Expenses:		
Labor	\$ 525,724	\$ 525,724
Fringe benefits	428,240	428,240
Services	10,130	10,130
Materials and supplies	130,212	130,212
Utilities	16,085	16,085
Casualty and liability insurance	59,516	59,516
Miscellaneous expenses	7,924	7,924
Depreciation	<u>197,648</u>	<u>197,648</u>
 TOTAL EXPENSES	 <u>1,375,479</u>	 <u>1,375,479</u>
Less ineligible expenses:		
Depreciation:		
Grant assets	156,737	156,737
Excess of grant – noneligible	4,576	4,576
R-TAP (unreimbursed)	2,335	2,335
Audit fees	5,617	
Dues	<u>82</u>	<u>82</u>
 Total ineligible expenses	 <u>169,347</u>	 <u>163,730</u>
 NET ELIGIBLE EXPENSES	 <u>1,206,132</u>	 <u>1,211,749</u>
 Maximum Section 5311 reimbursement 10.95%	 <u>\$ 132,072</u>	
 Maximum State operating Assistance 42.236619648% of eligible expenses		 <u>\$ 511,802</u>

SCHEDULE 5

CHARLEVOIX COUNTY PUBLIC TRANSIT  
MILEAGE DATA  
YEAR ENDED SEPTEMBER 30, 2004

	Public Transportation Mileage
DEMAND RESPONSE	
First quarter	104,170
Second quarter	110,363
Third quarter	97,361
Fourth quarter	91,419
TOTAL DEMAND RESPONSE	403,313

Note:

The methodology for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
SCHEDULE OF FINANCIAL ASSISTANCE  
FEDERAL AND STATE  
YEAR ENDED SEPTEMBER 30, 2004**

Federal grantor/Pass through grantor Program title	Federal CFDA Number	State Grantor Number	Program or Award Amount	Beginning Receivable/ (Deferral)	Receipts	Disbursements	Adjustments	Ending Receivable/ (Deferral)
<u>U.S. Department of Transportation</u>								
<u>Passed through MDOT:</u>								
Operating assistance Section 5311	20.509	02-0027/Z7	\$ 132,072	\$	\$ 104,175	\$ 132,072	\$	\$ 27,897
Operating assistance Section 5311	20.509	02-0027/Z1	84,450				24,445	24,445
Operating assistance Section 5311	20.509	02-0027/Z4	87,050	21,770	21,130			640
Operating assistance Section 5311	20.509	01-0022	100,434	(632)				(632)
R-TAP Training	20.509	N/A	3,500	1,190	3,525	2,335		
Capital Grant Section 5309	20.500	02-0027/Z6	157,648		157,648	157,648		
Capital Grant Section 5309	20.500	02-0027/Z3	123,754	2,525	105,369	102,844		
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$ 406,534</u>	<u>\$ 24,853</u>	<u>\$ 391,847</u>	<u>\$ 394,899</u>	<u>\$ 24,445</u>	<u>\$ 52,350</u>
<u>Michigan Department of Transportation</u>								
Operating assistance Act 51		2004	511,802		432,389	511,802		79,413
Operating assistance Act 51		2002	449,545	9,929				9,929
Operating assistance Act 51		2003	449,655	150,784	94,542			56,242
Operating assistance Act 51		2001	333,373	(49,813)				(49,813)
Operating assistance Act 51		1999					(9,016)	
Capital grants		02-0027/Z6	39,412		39,412	39,412		
Capital grants		02-0027/Z3	30,938	631	26,342	25,711		
<b>TOTAL STATE OF MICHIGAN ASSISTANCE</b>			<u>\$ 1,278,473</u>	<u>\$ 55,718</u>	<u>\$ 592,685</u>	<u>\$ 576,925</u>	<u>\$ (9,016)</u>	<u>\$ 95,771</u>



Certified Public Accountants

**Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of Financial Statements Performed  
in Accordance With *Government Auditing Standards***

To the Transit Committee  
Charlevoix County Public Transit

We have audited the financial statements of Charlevoix County Public Transit (Transit), an enterprise fund of Charlevoix County, Michigan, as of and for the year ended September 30, 2004, and have issued our report thereon dated December 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Transit's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Transit's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Transit Committee, management, the Urban Mass Transportation Administration, and the Michigan Department of Transportation (MDOT) and is not intended to be and should not be used by anyone other than these specified parties.

*Harris Group*  
December 9, 2004

**CHARLEVOIX COUNTY PUBLIC TRANSIT  
SUPPLEMENTARY SCHEDULE OF INELIGIBLE COSTS  
YEAR ENDED SEPTEMBER 30, 2004**

<u>Program</u>	<u>Description of Ineligible Costs</u>	<u>Ineligible Cost</u>
Urban Mass Transportation Adiminstration		
A) Operating Grants 02-0027	1) Depreciation: Deprecation accrued on assets purchased with Contributed capital must be deducted as an ineligible expense.	\$ 156,737
	Depreciation on unreimbursed grant assets.	4,576
	2) R-TAP unreimbursed expenses are ineligible	2,335
	3) Ineligible portion of association dues	<u>82</u>
	TOTAL INELIGIBLE EXPENSES FOR STATE OPERATIONS	163,730
	5) Audit fees are ineligible for Section 5311	<u>5,617</u>
	TOTAL INELGIBLE EXPENSE FOR SECTION 5311	<u><u>\$ 169,347</u></u>